



MAGIC VALLEY

BLAINE, CAMAS, CASSIA, GOODING, JEROME, LINCOLN, MINIDOKA, & TWIN FALLS COUNTIES

EMPLOYMENT TRENDS

The seasonally adjusted unemployment rate for the Magic Valley Labor Market Area (LMA) in December 2002 was 3.9 percent. This is one-tenth of a percentage point lower than November 2002 and four-tenths of a percentage point lower than December 2001. The *Civilian Labor Force* in December 2002 was 50,770—3.2 percent greater than the year before.

The sectors that showed significant gains year-over-year were *Manufacturing-Durable Goods*, *Other Nondurable Goods*, and *Wholesale Trade* with increases of 7.1 percent, 3.1 percent, and 3.6 percent, respectively. Sectors that had decreases over the year were *Services*, and *Government-Education* with losses of 1.7 percent and 2.5 percent, respectively.

The unemployment rate continues to be one of the lowest in the state and *Nonfarm Payroll Job* growth is positive. Holiday hiring was good, thus the increases in most sectors from November 2002 to December 2002. The overall economy is relatively healthy despite recessionary pressures.

MAGIC VALLEY 2003 OUTLOOK:

Indicators to Watch

The year 2002 was good for the Magic Valley LMA. The number of *Nonfarm Payroll Jobs* increased by 0.8 percent and unemployment for the year was a low 3.9 percent. Dell Computer Company opened in February 2002 and by year-end had 727 workers. New retailers opened in the North Canyon Project and created hundreds of full- and part-time retail jobs. The only major problem that developed was in the nearby Mini-Cassia area where the J.R. Simplot Company announced that it would be closing its Heyburn plant by April 2004. This announcement affects over 600 workers; the first permanent layoff of 169 workers took place in October 2002. The closure will also affect 24,000 acres of contract potatoes, and farmers might have to change crop mix to make a viable in-

Magic Valley Table 1: Labor Force & Employment
Twin Falls, Jerome, and Gooding Counties

	Dec 2002*	Nov 2002	Dec 2001	% Change From	
				Last Month	Last Year
INDIVIDUALS BY PLACE OF RESIDENCE					
Seasonally Adjusted					
Civilian Labor Force	50,770	49,730	49,180	2.1	3.2
Unemployment	1,990	2,010	2,130	-1.0	-6.6
% of Labor Force Unemployed	3.9	4.0	4.3		
Total Employment	48,780	47,720	47,050	2.2	3.7
Unadjusted					
Civilian Labor Force	50,590	49,930	48,940	1.3	3.4
Unemployment	2,150	1,910	2,280	12.6	-5.7
% of Labor Force Unemployed	4.2	3.8	4.7		
Total Employment	48,440	48,020	46,660	0.9	3.8
JOBS BY PLACE OF WORK					
Nonfarm Payroll Jobs**	39,360	38,850	39,280	1.3	0.2
Goods-Producing Industries	7,010	7,020	6,860	-0.1	2.2
Mining & Construction	1,800	1,840	1,770	-2.2	1.7
Manufacturing	5,210	5,180	5,090	0.6	2.4
Durable Goods	900	880	840	2.3	7.1
Nondurable Goods	4,310	4,300	4,250	0.2	1.4
Food Processing	3,300	3,310	3,270	-0.3	0.9
Other Nondurable Goods	1,010	990	980	2.0	3.1
Service-Producing Industries	32,350	31,830	32,420	1.6	-0.2
Transportation, Comm., & Utilities	2,710	2,730	2,690	-0.7	0.7
Wholesale Trade	2,280	2,270	2,200	0.4	3.6
Retail Trade	8,310	8,230	8,230	1.0	1.0
Finance, Insurance, & Real Estate	1,280	1,270	1,270	0.8	0.8
Services	10,410	10,000	10,590	4.1	-1.7
Government Administration	3,870	3,900	3,860	-0.8	0.3
Government Education	3,490	3,430	3,580	1.7	-2.5

*Preliminary Estimate

**Full- or part-time jobs of people who worked for or received wages in the pay period including the 12th of the month

come. Despite this significant setback, the Magic Valley economy was a top performer in 2002. With such a good year in 2002, what does 2003 hold in store for the Magic Valley? To answer that question several indicators must be closely watched in order to make valid predictions.

Nonfarm Payroll Jobs are one of the most important indicators of economic strength. The Magic Valley has weathered recessionary pressure well, but it has not been immune. Two factors greatly aided job growth in 2002: Dell Computer Company and the new retail and eating establishments in north Twin Falls. These added hundreds of jobs. It is expected that *Nonfarm Payroll Jobs* will decrease slightly, perhaps 0.5 to 1.0 percent, in 2003. The reason for the projected decline is that there appears to be a lull in retail growth, and it is uncertain whether another large employer such as Dell can be recruited. Natural attrition and small business closures will cause a drain that will probably not be offset by new job creation, hence a decrease in the overall number of jobs.

The seasonally adjusted unemployment rates are also key indicators for measuring growth. In 2002, the overall rate for the year was 3.9 percent. This was second only to the Bonneville LMA as the lowest in the state. It is expected that the unemployment rate will rise to approximately 4.5 percent in 2003. The reasons for the rise are that dairy growth has flattened, especially in Twin Falls, Gooding, and Jerome Counties, and so the downward pressure on unemployment rates from this source will let up. The retail sector showed some decline, especially late in 2002, and employers seem to be cautious in hiring. It is expected that this caution will continue into spring hiring. On the plus side, there are some labor shortages in such industries as health care and fast food. Given the large number of new housing permits in 2002, it is expected that there will be an increased demand for general laborers and specialized workers such as electricians, dry wallers, and carpenters. The rise to 4.5 percent would be in keeping with the traditional unemployment rate for the area and should still be one of the lowest unemployment rates in the state.

Water outlook and agricultural commodity prices remain a huge variable factor. The water year at the end of January was disappointing. The water year generally lasts from the first part of December to the first part of March. Therefore, the water year is two-thirds over. The Magic Valley's major source for water is the Henry's Fork area in Southeastern Idaho and western Wyoming where the water levels are far below normal. The only local areas that have had a normal water year so far are the Little and Big Wood River drainages, which supply Little Wood and Magic Reservoirs. Lack of water can change crop mixes and affect yield and quality of crops. For example, potatoes and sugar beets are long season crops, and this might affect both plantings and yields. Also, there might not be as many cuttings of hay if water is short. Commodity prices are also uncertain. Last year milk prices were low, and such crops as potatoes were unexpectedly high. Milk prices are expected to remain relatively low, but should be a little higher than in 2002. The price of open market potatoes could be significantly lower because with fewer potato contracts, demand for fresh pack potatoes will probably decline. Beef, lamb, and pork prices should be similar to 2002, as will bean, pea, wheat, and other grain prices. Hay prices will probably be higher if water is short because supply will be lower.

Consumer confidence is the final area to be examined, which is very difficult to assess because much of it relies on overall psychological well being. In 2002 consumer confidence was high in the Magic Valley. Retail sales were strong and people continued to spend, although the demand for big ticket items started to decline in the latter part of the year. Consumers are expected to be more cautious in 2003. Several factors contribute to this assertion. On the national scene, impending

war with Iraq and the volatile bear stock market combine to make consumers cautious about spending money or obtaining loans for large ticket items. If interest rates remain low, this might lessen the effect of the negative influences, but not enough to change the negative trend. In Idaho the state budget deficit situation contributes to consumer uncertainty. Finally, the announcement of the Simplot closure in Heyburn has the potential to negatively affect consumer confidence as more layoffs and closures loom, especially in the Mini-Cassia area.

In summary 2003 is not expected to be the breakout year that 2002 was in the Magic Valley, but the Magic Valley will continue to be a state leader in new job creation and unemployment.

AREA DEVELOPMENTS

Twin Falls County

- Muggers Brew Pub, a pioneer Old Towne Twin Falls business in the downtown area, closed in late January. The business cited increased competition, cash flow problems, and an unsuccessful marketing plan as reasons for the closure. The closure has displaced 20 full- and part-time employees.

Cassia and Minidoka Counties

- Cortland Enterprises has donated the 35,000-square-foot Rite Aid building to the City of Burley for economic development purposes. The Burley City Council agreed unanimously to accept the offer, thereby removing the building from the property tax rolls. The city is now responsible for minor repairs, snow removal, and water and sewage services. The Southern Idaho Economic Development Organization and the Mini-Cassia Development Commission are hoping to market the building to sell or lease as a potential call center site, but are also exploring marketing the property to all types of businesses. In either case, the hope is to attract an employer who can offer new jobs to help offset the job losses that occurred with the Simplot closure. The City of Burley will provide closing costs of \$12,000 to \$15,000 on the donated building; however, the value of the building to economic development efforts is expected to far exceed the closing costs and cost of removing the building from tax rolls.

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